

Small Employer Quality Jobs Program Guidelines

OKLAHOMA DEPARTMENT OF COMMERCE



Oklahoma **Small Employer** Quality Jobs Program Guidelines

Program Overview

Oklahoma's Small Employer Quality Jobs Program business incentive gives qualifying enrolled companies quarterly cash rebates, of up to five percent of newly created taxable payroll, for up to 7 years. Currently, the Small Employer Quality Jobs Program has enrolled over 104 companies which have received over \$8.2 million in wage rebates.

The program, targeted to manufacturers and certain service companies has proven to be a valuable asset to small businesses in Oklahoma, the state's primary job creation sector. A fully executed contract, with the Department of Commerce, must be in place *before* any new jobs can be included in the new taxable payroll.

Threshold Requirements

The following requirements must be met before an application will be reviewed:

1. Basic Industry

All applicants must be within a qualifying basic industry in order to receive benefits (see Attachment A). Regardless of a company's overall North American Industry Classification System number (NAICS No.), the activities and functions of new direct jobs must be within a qualifying basic industry.

2. Employment Threshold

To be eligible, a company may have no more than 90 employees at the time of application. Based on the population of the city where the project is to be located, the applicant company must create between 5 and 15 *new* jobs, at a minimum, to qualify. The activities and functions for which these jobs are being created must not have existed during the previous 6 months.

Companies located in a community of less than 3500 require the company to create at least 5 new jobs; between 3500 and 7000 population, at least 10 new jobs are required; and in communities over 7000 population at least 15 new jobs are required to qualify. Research & Development companies and Testing Laboratories may locate anywhere and still qualify. Most companies have 24 months to reach these job creation requirements; however, companies in the fields of Research & Development, Testing Labs, Software Publishing, Computer Systems Design, Data Processing, Hosting, and Related, and Medical & Diagnostic Labs have up to 36 months to create these jobs.

3. Health Insurance Coverage

All businesses must offer basic health insurance coverage to employees that are part of the job creation requirement. Employees must pay no more than 50% of the premium cost. All employees working 30 hours or more per week must be offered this insurance. The company has 12 months to institute a qualified basic health insurance coverage policy, and employees must be allowed access to the coverage within 12 months of employment.

4. Wage Requirements

The business applying for Small Employer Quality Jobs Program benefits must pay (direct, taxable wages) to the employees included in the application an average of 110% of the average county wage where the project is located. The reference chart for this average county wage is included in these guidelines as Attachment B. The company may elect to include the cost of health benefits paid on behalf of the employee if they so choose, but if doing so, must pay an average of 125% of average county wage to employees included in the application. Applicants in certain counties deemed to be economically challenged may qualify at an average wage of 100% of the county average.

5. Out-of-State Sales Requirements

All companies applying must have or will have within 24 months from the start date for participation in the Small Employer Quality Jobs Program out-of-state sales of 75% or more. A company may also meet this requirement by selling to a buyer who will resell the items to out-of-state buyers for ultimate use, or to the federal government. Research and development companies and testing labs are excused from the out of state sales requirement.

Application Requirements

➤ Application

Applicants must provide responses to all application form questions and satisfy all documentation requirements. An original must be signed by a representative of the company and submitted to the Department of Commerce prior to hiring any new employees whose payroll will be claimed for benefits. Note: the application packet provides a line by line instruction sheet to assist in preparation of the form.

➤ OES-3 Reports

OES-3 reports are filed with the Oklahoma Employment Security Commission each quarter. The reports list the number of employees on the payroll of a business as of the 12th of each month during a calendar quarter and the dollar amount of payroll for those employees during that time period. Along with the Application, the most recent four quarterly reports must be provided. The average number of employees, for the three months reported on each of the four quarterly summary reports, should be the figures used on the Application.

➤ New Hire Summary

Applications must include a break down of the proposed new hires by job title and average wage for both first and third year. Only eligible new direct jobs and average taxable wages should be used in the calculation. Even though jobs may be projected for a total of five years, just the 3rd year projected average wage is shown on the application and used to base benefits on.

➤ Major Medical Employee Health Plan

Along with the Application, a current copy of the company's health benefits plan must be included. A statement, indicating the percentage paid for the employee's portion of the plan, the waiting period before the plan is offered, and the number of hours worked per week to be eligible for the coverage should be attached. Additionally, applicants are required to indicate that some coverage for basic hospital care, physician care, mental health care, substance abuse treatment, maternity care and prescription drugs is provided.

➤ **Company Background Form**

At a minimum, company background information must consist of product/service descriptions, a projected growth explanation, a listing of other locations, a corporate family organizational chart, annual sales figures and investment projections (see Attachment C). The information, used as an indication of a company's preparedness to create the new jobs projected, is confidential.

➤ **Out-of-State Sales Verification**

Proof of out-of-state sales should include a breakdown of annual sales by state, delineating the Oklahoma percentage of total sales. Sales to the federal government and to in-state customers who resell to an out-of-state consumer may be included. Only sales associated with Oklahoma operations are applicable.

Technical Assistance

Technical assistance regarding program concepts, eligible companies, application guidelines and other information pertaining to the Quality Jobs Program is available upon request and encouraged. Questions may be directed to representatives within the Department of Commerce's Global Recruitment and Business Customer Service Teams, or to program administrators in the Quality Jobs Program at (405) 815-5123. The Oklahoma Department of Commerce offers a free service to assist companies in completing the Quality Jobs application.

Application Submission

Applications are submitted via a Department of Commerce Quality Jobs representative. This person will assist you with the application process. To contact a representative to assist you please call the Quality Jobs Program office at 405-815-5123, or toll free at 800-879-6552, x5123. The Department of Commerce accepts Quality Jobs Program Applications throughout the year since there are no specific deadlines. Applications are evaluated and acted upon as expediently as possible, depending upon their satisfactory completion.

Approval Process

Once an Application is submitted to the Department of Commerce with the required documentation, program administrators will verify eligibility and prepare a final cost/benefit analysis to determine the percentage of new Oklahoma payroll that will be rebated and a maximum amount for the applicant's project. The information is then presented to an internal review team that makes a recommendation, for approval or denial, to the Executive Director of the Oklahoma Department of Commerce. Once approved, an incentive offer, in contractual form, is issued to the company for acceptance. A corporate official, who is authorized to bind the company contractually, must sign the contract. At this point, only the company's name, municipality location, number of projected new jobs, NAICS No., benefit rate and maximum benefit amount become public information. The Department of Commerce issues a monthly press release of all new enrollees in the program and will communicate with the applicant's media contact regarding the information it contains. All approved companies must be registered to do business in Oklahoma and in good standing with the Secretary of State's Office, Tax Commission, and Employment Security Commission.

Claims for Payment

The Oklahoma Tax Commission is the primary contact for submitting benefit claims under the Small Employer Quality Jobs Program contract. Once a contract is returned to the Department

of Commerce it is forwarded to the Tax Commission to set up a reimbursement account in order to monitor jobs, payroll and pay qualifying claims. The company contact stated on the contract will be proactively contacted regarding reporting arrangements. Claims are made quarterly for the first 24 months. If qualification thresholds are met, the company may continue filing and receive annual payments for an additional 5 years (total of 7) so long as all criteria are met each quarter. If threshold requirements are not met at the end of the first 24 months, the company is dismissed from the program. Should the company fall short of requirements during the subsequent 5 years, they are suspended from the program until all requirements are again met.

Incentives Excluded

Companies enrolled in the Quality Jobs Program may not be eligible to receive certain credits or exemptions in conjunction with the same activity. They include the following:

- Investment/New Jobs Tax Credit
- Sales and Use Tax Refunds
- Clean Burning Motor Fuel Income Tax Credit
- Investment in Oklahoma Producer-Owned Agricultural Processing
- Purchase of Equipment when primary activity is Computer/Data Processing
- Insurance Premium Tax Credit
- Recycle, Reuse, Source Reduction Tax Credits
- Income Tax Credit for net Increase in Computer and R&D jobs
- Sales of Electronics to Qualified Aircraft Maintenance Facilities
- Investment in Qualified Venture Capital Companies
- Tax Credit for Employer Provided Health Plans
- Tax Credit for Commercial Space Operations
- Pooled Finance Program

All applicants should consult with a tax advisor to determine the most appropriate incentive plan based on value and financial goals. Additionally, a comparative estimate is available from Department of Commerce representatives.

Disclaimer

The materials contained in this document have been prepared by the Oklahoma Department of Commerce for informational purposes only and do not constitute legal or tax advice. This information is subject to change based on judicial interpretation and legislative action. The application of the information is subject to your unique facts and circumstances.

YOU SHOULD NOT ACT UPON ANY INFORMATION CONTAINED IN THESE MATERIALS WITHOUT SEEKING YOUR OWN PROFESSIONAL LEGAL AND TAX ADVICE.

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**Small Employer Oklahoma Quality Jobs Program
Qualifying Basic Industries**

Manufacturing –

Industries classified under NAICS Manual Nos. 31, 32, 33, 5111 or 11331.

Research and Development and Testing Laboratories –

See NAICS Manual Nos. 541711, 541712 and 541380.

Central Administrative Offices, Corporate Offices and Technical Services -

See NAICS Manual Nos. 5611, 5612, 51821, 519130, 52232, 56142, 524291, 551114.

Certain Warehouse/Distribution Operations –

Where 40% of inventory is shipped out of state.

Transportation by Air –

See NAICS Manual No. 4811 if corporate headquarters and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers.

Flight Training Services

See NAICS No. 611512

Other Support Activities for Air Transportation

See NAICS Manual No. 488190

Wind Power Electric Generation Equipment Repair & Maintenance

See NAICS Manual No. 811310

Services –

The program also covers the following service companies, if 75% of sales are out-of-state:

Rail Transportation

See NAICS Nos. 482

Motor Freight Transportation and Warehousing

See NAICS Nos. 493, 484, 4884-4889

Arrangement of Passenger Transportation

See NAICS Nos. 561510, 561599

Transportation of Freight or Cargo

See NAICS No. 541614

Certain Communications Services

See NAICS Nos. 517110, 51741 and 51791

Certain Refuse Systems that distribute methane gas

See NAICS No. 5622

Grocery Wholesale Distributing

See NAICS Nos. 4244 and 4245

Securities, Commodities, Investments

See NAICS No. 523

Insurance Carriers

See NAICS No. 5241

Insurance Claims Processors Only

Included in NAICS Nos. 524210 and 524292

Adjustment and Collection Services

See NAICS No. 561440 (75% of loans to out-of-state debtors)

Miscellaneous Equipment Rental

See NAICS Nos. 5324

Computer Programming, Data Processing and Other Computer-Related Services

See NAICS Nos. 5112, 5182, 5191, 519130, and 5415

Miscellaneous Business Services

See NAICS Nos. 561410, 56142, and 51911

Medical and Diagnostic Laboratories

See NAICS No. 6215

Engineering, Management and Related Services

See NAICS Nos. 5412, 5414-5417, 54131, 54133, 54136, 54137, and 541990

Agricultural Production

See NAICS Nos. 112120

Professional Organizations

See NAICS No. 813920

Alternative Energy Structure Construction

See NAICS No. 237130

Alternative Energy Equipment Installation

See NAICS Nos. 238160, 238220

Electric Service Companies –

The program also applies to electric services companies within NAICS Nos. 221111-221122 - Exempt Electric Wholesale Generators, if 90% of energy input is consumed from in-state sources and 90% of sales are out-of-state.

2016 Small Quality Jobs Average County Wage

To be used February 1, 2016 to January 31, 2017

Beginning January 1, 2011, the Small Employer QJ Program uses a wage calculation from small employers in the county.

| County | 100% Wage | 110% Wage | 125% Wage |
|------------|-----------|-----------|-----------|
| Adair | \$29,419 | \$32,361 | \$36,773 |
| Alfalfa | \$41,795 | \$45,975 | \$52,244 |
| Atoka | \$34,752 | \$38,227 | \$43,440 |
| Beaver | \$39,341 | \$43,275 | \$49,177 |
| Beckham | \$42,919 | \$47,211 | \$53,649 |
| Blaine | \$35,115 | \$38,626 | \$43,893 |
| Bryan | \$33,694 | \$37,063 | \$42,117 |
| Caddo | \$35,381 | \$38,919 | \$44,226 |
| Canadian | \$39,959 | \$43,955 | \$49,949 |
| Carter | \$39,160 | \$43,076 | \$48,950 |
| Cherokee | \$29,994 | \$32,993 | \$37,492 |
| Choctaw | \$34,386 | \$37,824 | \$42,982 |
| Cimarron | \$34,327 | \$37,759 | \$42,908 |
| Cleveland | \$36,472 | \$40,120 | \$45,591 |
| Coal | \$33,803 | \$37,184 | \$42,254 |
| Comanche | \$32,158 | \$35,374 | \$40,198 |
| Cotton | \$39,209 | \$43,130 | \$49,012 |
| Craig | \$34,589 | \$38,048 | \$43,236 |
| Creek | \$37,700 | \$41,470 | \$47,125 |
| Custer | \$38,316 | \$42,148 | \$47,896 |
| Delaware | \$30,397 | \$33,437 | \$37,996 |
| Dewey | \$46,941 | \$51,636 | \$58,677 |
| Ellis | \$40,170 | \$44,187 | \$50,213 |
| Garfield | \$42,533 | \$46,787 | \$53,166 |
| Garvin | \$43,785 | \$48,163 | \$54,731 |
| Grady | \$38,746 | \$42,620 | \$48,432 |
| Grant | \$45,265 | \$49,791 | \$56,581 |
| Greer | \$27,662 | \$30,428 | \$34,577 |
| Harmon | \$35,233 | \$38,757 | \$44,042 |
| Harper | \$37,123 | \$40,835 | \$46,404 |
| Haskell | \$35,143 | \$38,658 | \$43,929 |
| Hughes | \$29,822 | \$32,804 | \$37,278 |
| Jackson | \$32,167 | \$35,384 | \$40,209 |
| Jefferson | \$40,117 | \$44,129 | \$50,146 |
| Johnston | \$41,275 | \$45,403 | \$51,594 |
| Kay | \$36,868 | \$40,555 | \$46,085 |
| Kingfisher | \$45,221 | \$49,743 | \$56,526 |
| Kiowa | \$36,992 | \$40,691 | \$46,240 |
| Latimer | \$39,008 | \$42,908 | \$48,759 |

| County | 100% Wage | 110% Wage | 125% Wage |
|--------------|-----------|-----------|-----------|
| Le Flore | \$30,635 | \$33,698 | \$38,293 |
| Lincoln | \$35,175 | \$38,692 | \$43,968 |
| Logan | \$32,146 | \$35,361 | \$40,182 |
| Love | \$32,597 | \$35,857 | \$40,747 |
| McClain | \$37,922 | \$41,714 | \$47,402 |
| McCurtain | \$31,051 | \$34,156 | \$38,813 |
| McIntosh | \$36,335 | \$39,969 | \$45,419 |
| Major | \$43,182 | \$47,500 | \$53,977 |
| Marshall | \$33,273 | \$36,600 | \$41,591 |
| Mayer | \$36,346 | \$39,981 | \$45,432 |
| Murray | \$37,704 | \$41,474 | \$47,130 |
| Muskogee | \$36,265 | \$39,892 | \$45,331 |
| Noble | \$34,045 | \$37,449 | \$42,556 |
| Nowata | \$33,966 | \$37,362 | \$42,457 |
| Okfuskee | \$34,987 | \$38,486 | \$43,734 |
| Oklahoma | \$47,021 | \$51,724 | \$58,777 |
| Okmulgee | \$32,108 | \$35,319 | \$40,136 |
| Osage | \$35,037 | \$38,541 | \$43,796 |
| Ottawa | \$30,046 | \$33,050 | \$37,557 |
| Pawnee | \$40,118 | \$44,130 | \$50,147 |
| Payne | \$38,365 | \$42,202 | \$47,956 |
| Pittsburg | \$36,378 | \$40,016 | \$45,473 |
| Pontotoc | \$35,677 | \$39,245 | \$44,597 |
| Pottawatomie | \$34,096 | \$37,506 | \$42,620 |
| Pushmataha | \$29,050 | \$31,955 | \$36,312 |
| Roger Mills | \$48,423 | \$53,266 | \$60,529 |
| Rogers | \$37,883 | \$41,671 | \$47,354 |
| Seminole | \$35,443 | \$38,987 | \$44,303 |
| Sequoyah | \$29,861 | \$32,847 | \$37,326 |
| Stephens | \$36,188 | \$39,807 | \$45,235 |
| Texas | \$37,025 | \$40,728 | \$46,282 |
| Tillman | \$34,911 | \$38,402 | \$43,639 |
| Tulsa | \$47,443 | \$52,187 | \$59,303 |
| Wagoner | \$34,274 | \$37,701 | \$42,842 |
| Washington | \$33,743 | \$37,118 | \$42,179 |
| Washita | \$40,231 | \$44,255 | \$50,289 |
| Woods | \$35,029 | \$38,532 | \$43,786 |
| Woodward | \$46,552 | \$51,207 | \$58,190 |

Source: Oklahoma Employment Security Commission, QCEW Aggregate data.

Company Background

Please provide detailed information related to the Quality Jobs Program applicant.

1. Describe the company's line(s) of business.
2. Outline the reason for expansion or new lines of business and projected growth.
3. List other locations within and outside Oklahoma.
4. Provide most current fiscal year sales and anticipated growth.
5. Furnish new investment projections applicable to current project.
6. Please furnish a CORPORATE organizational chart showing any sister companies, subsidiaries, parent company, etc. DO NOT provide individual names or job titles, only the parent-subsiary structure if the entity has common ownership.